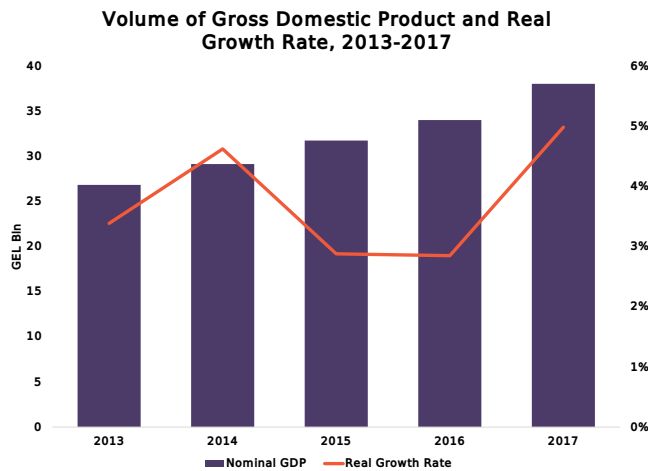According to preliminary data, the Georgian economy is characterized by a 5.0% growth in 2017, which is the highest annual real growth rate for the country since 2012. A trend analysis of GDP is useful in comprehending the indicator relative to previous years. Furthermore, a sectorial analysis of Georgia's GDP enables us to understand the reasons behind the country's economic growth in 2017. The three sectors which recorded the most significant growth in 2017, namely hotels and restaurants, construction, and financial intermediation, have been selected for further examination.
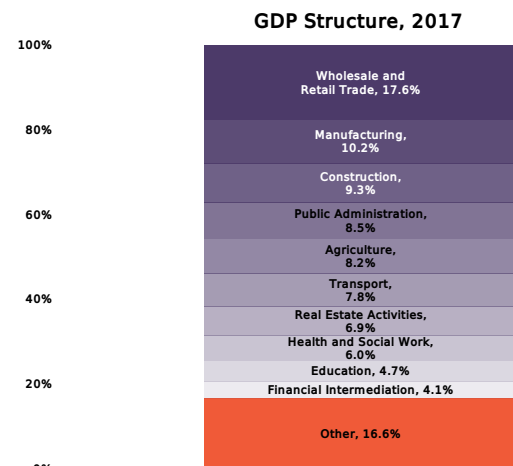
Volume of Gross Domestic Product and Real Growth Rate, 2013-2017

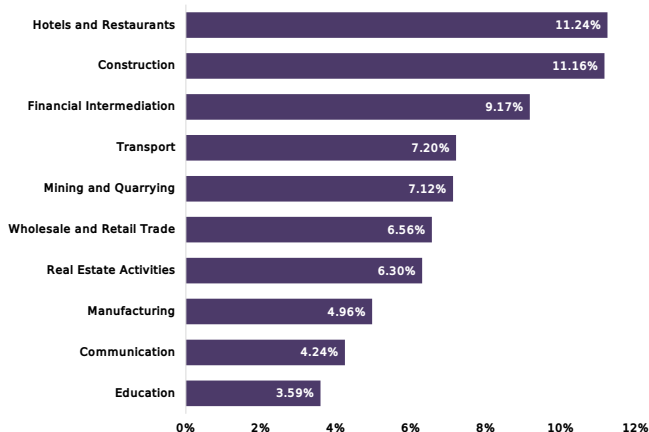Source: National Statistics Office of Georgia

According to preliminary data, in 2017, the volume of Georgia's GDP amounted to GEL 38.0 bln at current market prices. The real growth rate of GDP for 2017 amounted to 5.0%, which is 2.2 percentage points higher compared to the economic growth rate for 2016. Notably, this is the highest recorded real growth rate since 2012.

According to the International Monetary Fund's (IMF) World Economic Outlook[1], Georgia stands above the preliminary average real GDP growth rate for the world (3.8%), emerging markets and developing economies (4.8%), and the Commonwealth of Independent States (2.1%). However, Georgia's real GDP growth rate is lower than the average of emerging and developing Europe[2] (5.8%).

Since 2010, wholesale and retail trade has remained the biggest contributing sector to Georgia's GDP, amounting to 17.6% of total GDP in 2017.

Several significant changes can be observed in terms of the structure of Georgia's GDP (calculated using GDP at current prices) in 2017 compared to 2016. The biggest decrease in share of GDP was recorded in agriculture (-0.77 percentage points), while the biggest increase was recorded in construction (0.80 percentage points). Specifically, the decrease in the agricultural sector was the result of decreases in the growing of vegetables (-2.7%), the farming of animals (-2.1%), and agricultural service activities (-6.3%), while the increase in the construction sector was the result of increases in the construction of buildings and civil engineering works (26.6%).

GDP Structure, 2017

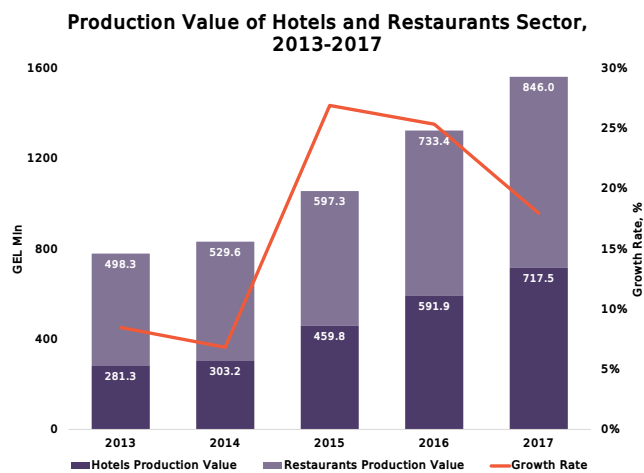

Source: National Statistics Office of Georgia

The sectorial outlook on Georgia's real GDP growth helps us to identify sectors with the highest growth rates in 2017. Such sectors can thus be considered the main driving factors of the Georgian economy. The highest growth rates were found in the following sectors: hotels and restaurants (an increase of 11.24% compared to 2016); construction (11.16%); and financial intermediation (9.17%).

In 2017, only three sectors recorded negative growth rates: processing of products by households (-2.73%); agriculture (-2.69%); and undifferentiated production activities of households for own use (-1.79%).

Top Ten Growing[3] Sectors in GDP, 2017

Source: National Statistics Office of Georgia

[1] http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD
[2] Turkey, Poland, Romania, Hungary, Bulgaria, Serbia, and Croatia
[3] Real growth rate

Production Value of Hotels and Restaurants Sector, 2013-2017

Source: National Statistics Office of Georgia

In 2017, the hotels and restaurants sector recorded its highest share of GDP since 2005, amounting to 3.0%. According to preliminary data, at 11.24%, hotels and restaurants was the top growing sector in Georgia in 2017 in terms of contribution to GDP. Interestingly, in the sub-categories of this sector we can see that the restaurants sector grew only by 2.4%, while hotels and other types of short-stay accommodation grew by 23.6%. A significant difference can be seen in the ratio of hotels against restaurants in terms of production value. In 2013 this ratio was 56.5%, while in 2017 it reached 84.8%.

The production value of this sector has shown an increasing tendency and in 2017 reached GEL 1.6 bln. Over the past five years, the annual average growth rate for the production value of hotels and restaurants has been 17.1%.
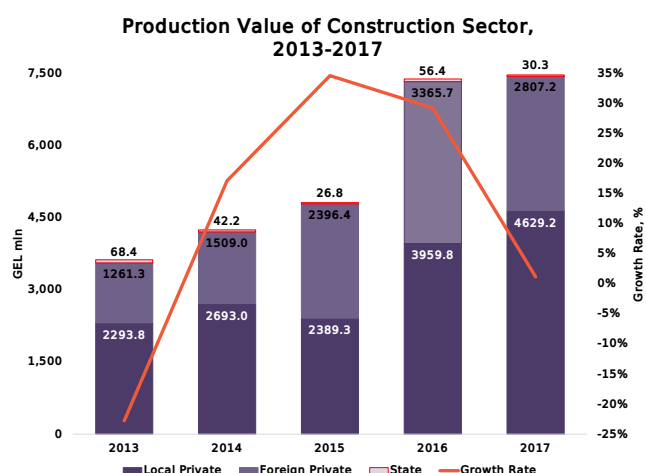
The sector recording the second most significant growth rate in 2017 in terms of its contribution to Georgia's GDP is construction at 11.16%. In 2017, the construction sector's contribution to GDP reached an all-time high (9.3%).

The production value of the construction sector has been growing since 2014, and it again recorded a minor positive growth rate in 2017 of 1.1%.
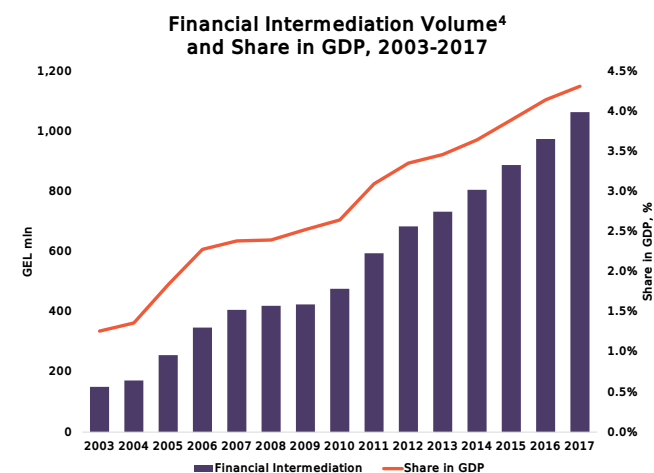
The share of foreign entities in the construction sector increased in 2017 by 16.6% compared to 2016. However, 2017 was the first year in the past six years when local private entities' share in the total production value of the construction sector increased (from 53.6% to 62.0%).

Production Value of Construction Sector, 2013-2017

Source: National Statistics Office of Georgia

Growth of 9.17% was recorded in the financial intermediation sector[5] in 2017, making it the sector with the third most significant growth in 2017 in terms of its contribution to Georgia's GDP.

In 2017, the financial intermediation sector appeared in the top ten sectors, in terms of their contribution to Georgia's GDP, for the first time ever. Financial intermediation has recorded stable growth in terms of both its volume and share in GDP. Significantly, financial intermediation is the only sector of which its contribution to Georgia's GDP has been increasing annually over the course of the past 15 years. During this period, this sector has recorded an average annual growth rate of 15.6%.

Financial Intermediation Volume[4] and Share in GDP, 2003-2017

Source: National Statistics Office of Georgia

[4] Denoted in constant prices
[5] System of National Accounts 2008, p. 375

Basic Economic Indicators	2013	2014	2015	2016	2017*
Nominal GDP (mln USD)	16139.9	16507.8	13988.1	14377.9	15164.5
GDP per capita (USD)	3599.6	3676.2	3766.6	3864.6	4078.5
GDP real growth (%)	3.4%	4.6%	2.9%	2.8%	5.0%
Inflation	-0.5%	3.1%	4.0%	2.1%	6.0%
FDI (mln USD)	1020.6	1818.0	1652.5	1602.9	1861.9
Unemployment rate (%)	16.9%	14.6%	14.1%	14.0%	13.9%
External debt (mln USD)	4202	4199	4314	4515	5177
Poverty rate (relative)	21.4%	21.4%	20.1%	20.6%	-